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Before the  
Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of

Federal-State Joint Board on  
Universal Service

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)  
) CC Docket Nos. 96-45 and 97-160  
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**COMMENTS  
BY THE DELAWARE PUBLIC SERVICE COMMISSION  
IN RESPONSE TO ALTERNATIVE PROPOSALS  
FILED UNDER DA 98-715**

The Delaware Public Service Commission submits these brief comments in response to the April 15, 1998 Public Notice (DA 98-715), which called for further proposals and then comments concerning how to structure federal universal support for the high cost areas in this Nation.<sup>1</sup> Delawareans, living and working in a state small both in geographic size and population, tend to believe that small things have real advantages. Likewise, the Delaware Public Service Commission ("PSC") believes that the citizens and telecommunications consumers in this State will be served best by a federal funding mechanism which is small as possible but which still remains true to the statutory goal that all citizens of this country should have access to supported telecommunications services at reasonably comparable rates. In the PSC's view, a large federal universal service fund, spawning large percentage surcharges to be inevitably passed from the carriers to Delaware consumers, threatens to

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<sup>1</sup>By a vote at their meeting on May 12, 1998, the five Commissioners of the Delaware Public Service Commission authorized the Executive Director to submit these comments.

undercut Delaware's continued ability to maintain an advanced telecommunications network which Delaware believes is essential for an informed state citizenry and for continued economic growth in this State. None of the federal universal service mechanisms either previously adopted or now proposed represent a design truly desirable for Delaware. However, of the proposals now under consideration, the PSC endorses the proposal filed on April 27, 1998 by the NARUC Ad Hoc Working Group on Funding for High Cost Areas. This Commission believes, as that group's chairmen have suggested, that the Ad Hoc Working Group's proposal is an approach that would, on balance: (1) provide adequate levels of support for states that have genuine need; (2) minimize the burden on low cost areas; and (3) avoid sharp dislocations in the current support structure.

In geographic and demographic terms, Delaware is small: less than 100 miles in length and 35 miles in width, with a population of less than 750,000 served by one-half million telecommunication access lines. However, this small size has been an advantage to Delaware. It has allowed for the creation of an innovative, modern, efficient, and affordable intrastate telecommunications network. Presently, residential customers served by the incumbent local exchange carrier can make unlimited local calls throughout one of just three local calling areas for a small local usage charge and can also make intrastate toll calls, in a competitive, presubscribed toll market, at rates ranging from six cents to thirteen cents a minute. At the same time, because of its small size, Delaware is only one of two states where the revenues attributable to interstate services exceed revenues arising from intrastate

services.

Since the Federal Communications Commission began its proceedings to craft a new federal high cost support mechanism under 47 U.S.C. § 254, the Delaware Commission has remained concerned that any new federal mechanism not involve a large federal fund, requiring large interstate surcharges which in turn would cause Delaware consumers to pay more and more for their telephone services. While the PSC recognizes that a ubiquitous telecommunications network, linking households and businesses in all areas of this country, is a national asset which benefits all consumers, including those in Delaware, this Commission remains fearful that the imposition of large surcharges on carriers, and then consumers, in order to underwrite a large federal high cost fund will serve only to make Delawareans reluctant to support efforts to maintain and expand, in this State, a state-of-the-art telecommunications network.

Delaware will always be a "net payor" State, whether the FCC's present May 8, 1997 plan remains operative or some other presented proposed alternative is now adopted. As such the funds collected here from Delaware consumers for high cost universal service will go elsewhere. The PSC's concern that the larger and larger the amount that Delaware consumers see on their bills listed as "universal service charges" - representing monies flowing to provide telecommunications services in other states - then the less and less dollars those Delawareans will desire to spend within this State to purchase new, innovative, and efficient telecommunications services offered by both the incumbent and new providers.

Moreover, given that in Delaware the interstate/intrastate revenue scale tips in favor of the interstate side, large federal surcharges imposed on interstate services will, most likely, exert a greater impact on Delaware consumers than they might in other states where intrastate revenues outstrip the interstate monies.

Factoring in these concerns, the Delaware PSC endorses, as a compromise, the Ad Hoc Working Group's proposal for restructuring the manner of providing federal high cost support. That plan seems to strike a reasonable accommodation between a federal fund size which is fair to the low cost states while providing federal support in reasonable amounts to those high costs states truly in need of additional federal support. Most importantly, the Ad Hoc Working Group's proposal recognizes that it is the citizens of each state who must, initially, bear the burden of providing for affordable rates and that any federal funding should be targeted only where reasonable efforts by a particular state will not be sufficient to ensure that its citizens will have affordable linkage to our country's telecommunications network.

As noted before, Delaware will be a "net payor" under the Ad Hoc Working Group's proposal. No federal high cost support would come to Delaware under that proposal, just as no federal high cost support comes to Delaware under the present explicit high-cost support mechanisms. Indeed, the Ad Hoc Working Group estimates that the level of Delaware's "out-flowing" contributions will rise under that Group's proposal from the present level of 4.2 million dollars to 7.1 million dollars. In absolute terms, this increase in contributed

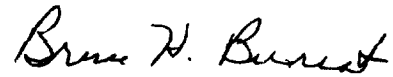
monies going to other states may seem minimal. However, it will represent an almost 50 per cent increase in the amount that Delaware consumers would ante up in order to provide for telecommunications access in other states. One might accept, as necessary, such an increase in contributions under the Ad Hoc Group's plan in order to ensure that a truly national network is available to all citizens. What the Delaware PSC cannot easily accept is the creation of a federal high cost fund of 6 to 11 billion dollars, requiring 5 to 7 per cent surcharges on carriers to be eventually based through to Delaware customers. If Delaware consumers see their interstate bills increase by such percentages - and come to understand that all of those monies go elsewhere - those consumers will simply not be anxious to commit even more of their dollars to maintaining and advancing the telecommunications networks in this State.

In sum, the PSC desires the smallest federal fund possible consistent with the goal, expressed in section 254, that access to telecommunications services be available at reasonable rates throughout the Nation. The PSC believes that the proposal submitted by the NARUC Ad Hoc Working Group on Funding for High Cost Areas is a reasonable response to a difficult problem and one which strikes the appropriate balance of competing interests. The Delaware PSC urges its consideration and adoption by the FCC.

Dated: 5/14/98

Respectfully submitted,

DELAWARE PUBLIC SERVICE COMMISSION

A handwritten signature in cursive script, appearing to read "Bruce H. Burcat".

By: Bruce H. Burcat  
Executive Director

## **CERTIFICATE OF SERVICE**

I, Bruce H. Burcat, do hereby certify that on this 14th day of May, 1998, copies of the foregoing "Comments of the Delaware Public Service Commission" were deposited in the United States mail, first class postage prepaid, addressed to the following persons identified on the service list attached to DA 98-715:

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